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SUBJECT: ECONOMIC CRISIS TAKES IT TOLL ON ARARAT REGION

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SUMMARY

11. (SBU) On May 29 the Ambassador traveled to Ararat marz, one of the country's 11 administrative regions that is also the primary agricultural growing area in Armenia. The region's governor and the mayor of the regional capital of Artashat said that while remittances from abroad had noticeably decreased since the onset of the global economic crisis, the region was receiving assistance from the national government in the form of low cost loans to key businesses and monthly budget transfers. The Ambassador visited two large enterprises in Ararat: a cannery that continues to export in spite of the downturn; and a winery that has not received an export order in six months. The Ambassador also visited ex-Prime Minister Aram Sargsian, who said he favored opening the Armenia-Turkey border, and met with the owner of Artashat TV, the region's only TV station, who revealed that his station was not reporting at all on the possible border opening with nearby Turkey. End Summary.

REMITTANCES DOWN, BUT WE WILL BE OKAY

12. (SBU) Ararat Governor Vazgen Hovakimian downplayed the long-term effects of the global economic crisis on his region, saying the impact of the current crisis was not as severe as that of the 1998 collapse of the Russian ruble. He acknowledged, however, that remittances being sent from Armenians living and working abroad to Ararat were down since the onset of the crisis. He also noted that unemployment in the region had increased as a result of the slowdown in construction in neighboring Yerevan. (Note: Ararat marz directly borders Yerevan to the south. End Note) On the positive side, he said that the national government had begun to provide the region anti-crisis assistance in the form of low cost loans to the region's two largest fruit and vegetable canneries ("ArtFood" and "Borodino"). He justified this outlay by saying the two concerns had large export portfolios that had been hit hard by the financial crisis but were now recovering. (Note: Pro-government politicians, including the Speaker of the Parliament Hovik Abrahamian, own these two canneries, with Ararat being the home and quasi-personal fiefdom of the powerful Abrahamian. End Note) Outside of agriculture, the governor stated that the region's cement factory had also reduced its output, but so far it had not laid off any personnel.

13. (SBU) Artashat Mayor Gagik Muradian remarked that while his city continued to receive monthly budget transfers from the national government, the economic crisis was making it harder for his city of 25,000 to collect the property, land and "sin taxes" that normally funded its municipal budget. Muradian said the city was indeed feeling the impact of less remittances from its 5,000-7,000 former residents who now reside and work abroad. With less money entering

the local economy, the city had to postpone some road repairs and beautification projects. When asked by the Ambassador how the national government could better empower local governments, Muradian replied that there were already too many communities in Armenia, and that they should be consolidated into larger administrative groupings in order to more effectively allocate financial resources.

POLITICAL TIES CAN HELP ONE'S BUSINESS

14. (SBU) Manvel Ghazarian, Member of Parliament and Chairman of the Board of the Ararat-based "Alco Vedi" Wine Factory, stated that his company had not received any export orders from Russia, its main client, in the last six months. Local sales were also declining as price-conscious consumers purchased less expensive wines or chose cheaper vodka over wine. The largest grape producer and purchaser in Armenia, "Alco Vedi" has already laid off production staff and cut salaries to its agricultural workers who tend the company's vineyards and orchards. Ghazarian said that in January he had been able to extend by one year two bank loans with interest rates of 14-15 percent, but now it is expensive to access any new credit, even with his good credit history. Ghazarian said he had no silver bullet for weathering the current downturn, and noted that his company's goal was simply to survive until the situation improved worldwide.

15. (SBU) The Ambassador also called on Sergo Karapetian, the president of the Artashat-based "ArtFood" fruit and vegetable cannery, whose company is currently benefiting from new low-cost loans from the national government. The company has also received financing or assistance in the past from USAID, USDA and the World Bank. The company controls a 40 percent share of the domestic market in canned fruits and vegetables, and has significant export

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sales in tomato concentrate and dozens of canned products. According to Karapetian, over 7,000 farmers from all over Armenia supply the cannery with produce, and the company currently has active contracts with over 500 farmers whom they have trained and supplied with seed and fertilizer. The cannery directly employs 350-600 workers seasonally, and during the Ambassador's visit dozens of employees were seen processing seasonal vegetables and hand-labeling jars prior to distribution. When asked whether the present Speaker of Parliament (and former mayor of Artashat) Hovik Abrahamian owned the "ArtFood" cannery, Karapetian grew bright red and adamantly denied he did, instead stating that the factory's workers owned 20 percent of the factory. (Note: Karapetian conveniently left out who owned the remaining 80 percent. End Note)

THE TURKISH BORDER

16. (SBU) The Ambassador met with ex-Prime Minister Aram Sargsian, the younger brother of slain former Prime Minister and Minister of Defense Vazgen Sargsian, at his family home in Ararat village. Sitting just three kilometers from the Armenia-Turkey border, Sargsian said he favored opening the border and improving relations with Turkey in order to realize the region's agricultural export potential. Sargsian remarked that he traveled frequently to Nagorno-Karabagh (NK), where his brother's war hero status allowed the younger Sargsian to engage and disagree with NK leaders on ways forward for the Armenian-populated enclave. Sargsian added that NK needed a media outlet that could broadcast into Armenia, so that Armenians residing in Armenia proper could better understand the issues of the NK people and leadership.

MEDIA IN THE MARZ

17. (SBU) The Ambassador met with Artak Manukian, the owner of Artashat TV (the only TV station in all of Ararat marz), to discuss

the state of media in the region. A local businessman and former assistant to Ararat's governor, Manukian admitted that since purchasing the station in 2006 he has supported it with his own funds, due to the lack of support from the state and insufficient advertising revenue. Manukian stated that the station was encountering no problems with censorship during the election season.

He boasted that seven of the region's 11 journalists worked at his station. When asked if his station was covering the possible border opening with Turkey, Manukian surprisingly said they were not covering the story because the people of Ararat were passive and uninterested in the topic. (Comment: Artashat TV seems to be a personal vanity project. In addition to being its owner, Manukian is also one of the station's newscasters, and he seemed uninterested in independent journalism or covering serious news items. End Comment)

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